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FAR EAST

1. Rhee denies intent to use force to recover territory:

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[redacted] President Rhee informed Ambassador Lacy and General Lemnitzer on 4 August he does not intend to use force to recover the areas below the 38th parallel now held by the Communists. He said the Communists' willingness to recognize South Korea's "right" to the territory depended on whether the United States and the UN Command would back him up.

Lacy believes earlier South Korean threats stemmed from Rhee's dissatisfaction with progress toward eliminating the neutral nations inspection teams, and from his growing frustration and bewilderment as he sees world tension relaxing and the opportunity to unify Korea by force fading away.

Comment:

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[redacted] South Korean military leaders have opposed the use of force to solve either issue. It is probable, therefore, that the "campaign against the armistice" will be limited to civilian demonstrations, directed primarily against the inspection teams.

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SOUTHEAST ASIA

2. Indonesian army leaders reported impatient over delay in forming government:

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[redacted] Indonesian army leaders are being hard pressed by junior officers to take over the government if there is no early action in forming a cabinet and in proceeding with election plans, [redacted]

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Comment: Army leaders have remained largely in the background since the cabinet resigned on 24 July, although it has been clear that no new government could be established without their approval. Continuing dissatisfaction of the army with the present situation has been indicated by a reliable report that it had warned the National Party to cease obstructing the formation of a new government.

President Sukarno returned to Djakarta on 5 August but waived his powers as chief of state for another 10 days. During this period, he is expected to maneuver in support of the National Party.

SOUTH ASIA

3. Afghan prime minister's removal may be imminent:

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Daud would reportedly be succeeded by his brother Naim, the present foreign minister, or his uncle Shah Mahmud, previous prime minister.

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Comment: Rumors concerning Daud's removal have increased in the past week, since the demobilization of troops he had called into service at the start of the dispute with Pakistan. Several intimations have come from both

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arachi and Kabul in the past few days that settlement of the
our-month-old quarrel between them is imminent.

A new proposal which is expected to
meet with Pakistani approval is now being prepared by Turkey.
Daud's removal from office at this point would probably make
possible a speedy settlement of the dispute.

LATIN AMERICA

4. Attempt against Nicaraguan president may be imminent:

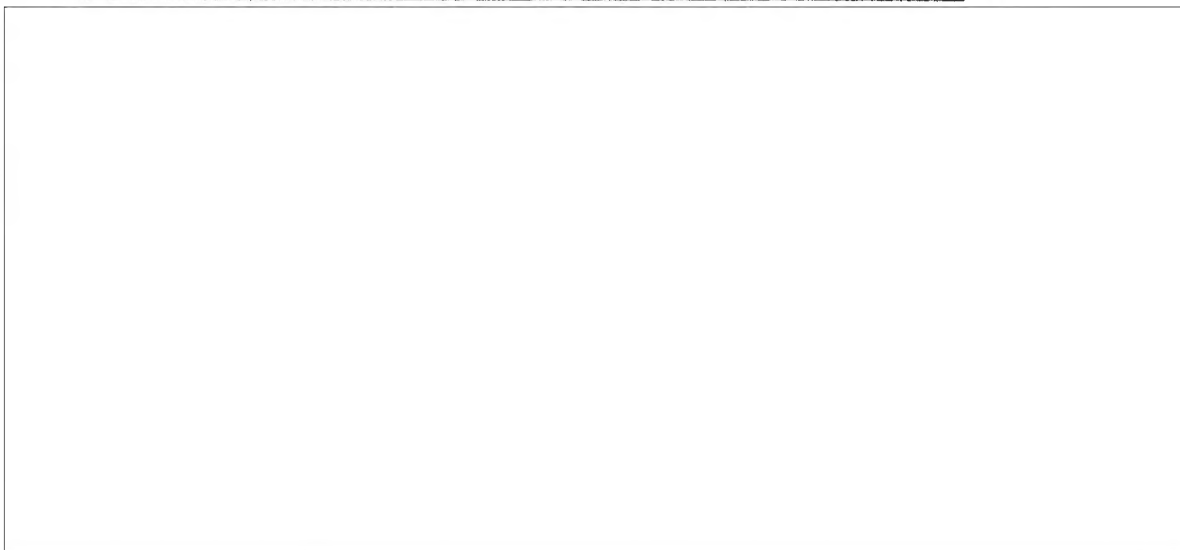
Revolutionaries have entered Nicaragua
in small numbers from Honduras, and
revolutionary leader Manuel Gomez has
alerted antigovernment elements in
Managua,

It is unknown whether the move indicates
an imminent attempt against Nicaraguan president Somoza or
whether the revolutionaries are recruiting for a later effort.

Comment: Somoza reportedly still com-
mands the loyalty of the National Guard, Nicaragua's only armed
force, and maintains a close guard against assassination. Opposi-
tion to his re-election as president is apparently widespread, but
most of his opponents within the country appear thoroughly intimi-
dated.

Militant Nicaraguan exiles, however, are
almost constantly plotting against Somoza. Manuel Gomez, former
National Guardsman who led the abortive attempt to assassinate the
president in April 1954, is one of Somoza's most dangerous enemies.

5. Argentine government sees situation as still "explosive":



Comment: The army's apprehension over further anti-Peron action is reflected in new security precautions, including the stationing of an army battalion near the Ministry of Defense. Some lower-ranking officers, particularly in the provinces, still disagree with the high command's decision to retain Peron, and the opposition is believed to have some type of armed organization of civilians and retired officers.